

TOP SECRET

18 October 1951

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DAILY DIGEST

DIA review(s) completed.

State Dept. review completed

NAVY review(s) completed.

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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TOP SECRET

TOP SECRET

SECTION 1 (SOVIET)

1. USSR. Soviet Union leads world in international broadcasting: A survey covering the past four years revealed that the USSR, its Satellites, and Communist China have notably and consistently increased their international broadcasting. The USSR now leads the world in this field. In the process of increasing its international beams 30 percent during the past year, Moscow began in March to appropriate time on Satellite transmitters for the purpose of relaying its programs. This appropriated time now totals 48 hours a day.

Another new trend developed during the past year when the Satellites cut to a minimum their heretofore appreciable amount of broadcasting both among themselves and to Russia in order to increase their output in English, French, Italian, Spanish, Greek, the Yugoslav languages, and to North America. The International Service of the Peiping Radio increased its broadcasts by 76 percent during the past year. There were increases in practically all Far Eastern languages and in English. Peiping does not broadcast in other Western languages.

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Comment: These statistics give evidence of the importance which the Kremlin attaches to propaganda as a medium of its cold war policy toward the West, and of Soviet concern over stepped-up psychological warfare and the effectiveness and proximity of the BBC.

Currently, Moscow is accusing VOA of setting up the Free Europe broadcasting station and of usurping BBC's best wavelength and broadcasting time "to serve the aggressive plans of American foreign policy."

2. Soviet-Iranian trade talks continue; financial talks interrupted: The Iranian delegation negotiating a trade agreement with the Soviet Union has not met with the Soviet trade delegation since the original meeting on 22 September. The interruption is due to the Soviet request for Iranian draft proposals. An Iranian spokesman indicated that the extent of trade with the USSR would be determined by political considerations. The talks are taking place in Tehran.

Soviet-Iranian financial talks, involving Iran's claims to 11 tons of gold were also interrupted, in this case because of Soviet unwillingness to agree to Iranian claims. The possibility exists that such

TOP SECRET

18 Oct 51

TOP SECRET

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discussions will be resumed, according to an Iranian spokesman. [redacted]

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Comment: Unsatisfactory implementation of last year's trade agreement by both sides has probably complicated the current negotiations. However, the present Anglo-Iranian dispute tends to give these talks a political as well as economic value and it is unlikely that either the USSR or Iran wishes to rush into an agreement at this time.

3. CZECHOSLOVAKIA. Eight Czechoslovak "oil engineers" in Iran are slated for sugar refineries: The eight Czechslovaks who recently arrived in Iran are not oil engineers as previously reported. [redacted]

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They were sent to Iran in connection with Skoda installations at two sugar refineries.

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Comment: This report is probably correct for Skoda technicians have been supervising Skoda equipment in the Iranian sugar beet industry. [redacted]

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TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. INDIA. Leader of Scheduled Castes Federation advocates partition of Kashmir:
The Scheduled Castes Federation, led by Dr. Ambedkar, ex-Law Minister of India, has issued an election manifesto stating that Kashmir should be partitioned -- the Muslim area to Pakistan, subject to the wishes of the Kashmiris in the Vale, and the non-Muslim provinces of Jammu and Ladakh to India.

25X1 [redacted] the Scheduled Castes Federation represents only a small number of the 60 million Harijans (backward classes), most of whom consider Gandhi and the Congress Party their benefactors, and that any political party with which the Federation might join in contesting the elections would be unlikely to accept the partition of Kashmir. [redacted] the present policy of the Indian Government regarding Kashmir is not likely to be changed by the votes of Dr. Ambedkar's followers. [redacted]

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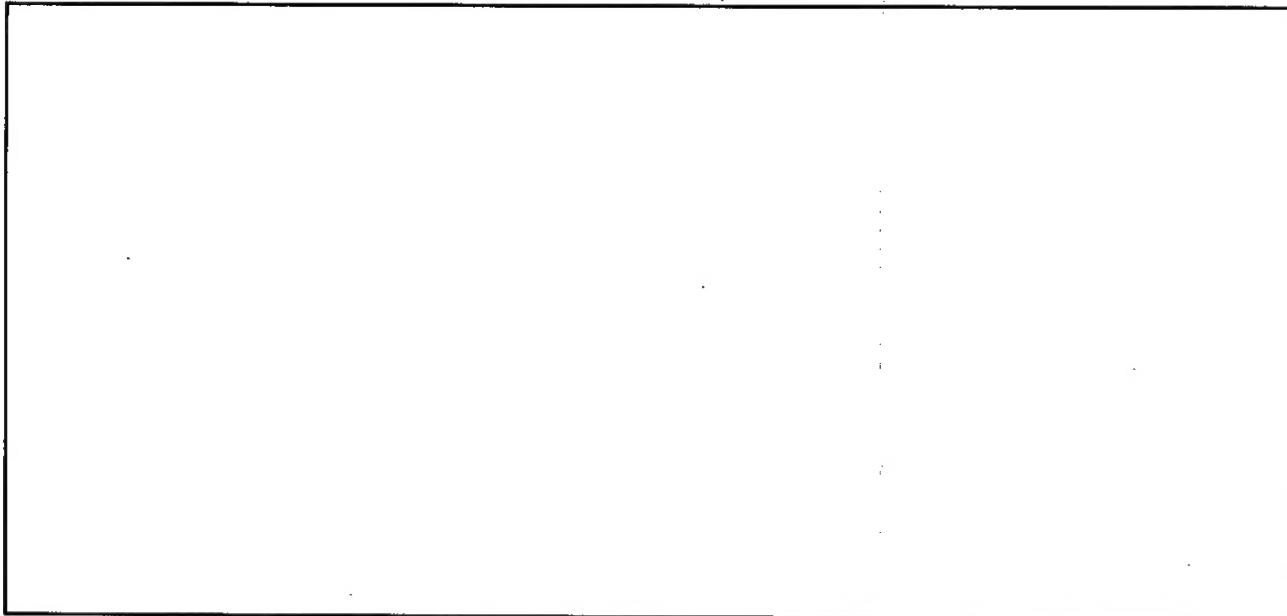
Comment: The Scheduled Castes Federation is the first political party to advocate the partition of Kashmir. Dr. Ambedkar's recent resignation as Law Minister was caused partially by his dissatisfaction over India's foreign policy.

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TOP SECRET

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TOP SECRET



4. INDOCHINA. Recent Viet Minh operations allegedly part of Peiping plan to invade Indochina: It is rumored in Viet Minh military circles that the recent operations were a result of pressure from Peiping to clear up western Tonkin and thus permit the movement of Chinese Communist forces into nearby Laos. [redacted] this is intended to pave the way for an invasion of Burma, Thailand, and Indochina. [redacted]

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Comment: An attack on Southeast Asia by way of Laos would provide the Chinese Communists with an opportunity for maximum disruption with a relatively small force. American and British observers, as well as General de Lattre, have shown concern over the possibility of such a flanking movement, which would enable the Chinese Communists to avoid jurisdictional friction with the Viet Minh army and would obviate the problem which a direct assault on French positions in the delta would pose.

5. INDONESIA. Chinese Nationalists celebrate Double Ten openly in Sumatra: Chinese Nationalists in Sumatra celebrated 10 October with greater enthusiasm than was apparent in recent years.

As elsewhere in Indonesia, the Chinese Communist celebration on 1 October was more subdued than on previous occasions. [redacted]

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Comment: In Djakarta, Java, pro-Nationalist celebrations were more restrained than last year. However, in Sumatra pro-Nationalist and anti-Communist Chinese were undoubtedly much encouraged by the severe security sweeps conducted by the Indonesian Government against Communists and subversive ele-

TOP SECRET

TOP SECRET

ments in August and September. The sweeps in North and Central Sumatra were much more thorough than elsewhere in Indonesia and included more Chinese Communists.

6. CHINA. Communists report on forced labor program: A release to the press from Northwest China reports on the program of "reform through labor" recently instituted by the Communists for "counter-revolutionaries" sentenced to prison terms. Such prisoners have been organized in the Northwest to repair rail lines, irrigate farm fields, cultivate barren land, and sew clothing. Forced labor is being combined with "ideological education," but the amounts of time given to labor and indoctrination are not stated. [redacted]

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Comment: China's campaign against politically unreliable elements has provided the Communists with a pool of prisoners--numbering hundreds of thousands--to be assigned to forced labor projects throughout the country. The US Consul General in Hong Kong has observed that the institution of forced labor projects will provide the Chinese additional motivation for an unending series of campaigns to arrest counter-revolutionaries.

7. Relationship between Chinese Nationalist Government and Formosan local governments reported: As a result of an interview with several popularly elected officials of the provincial governments of Formosa, now in Taipei for governmental training, the US Embassy reports that there is little central government interference so far with the mechanics of the legislative process at the local level. However, administration is allegedly made difficult by the lack of experience on the part of the elected representatives, the inability of the elected officials to employ or dismiss their own staff--which are controlled by the provincial civil affairs commission--and by the continued presence in the office of each representative of "an assistant" who is "a man of complete loyalty to the Kuomintang." This man allegedly reports directly to the security police on the personal activities of the representatives. [redacted]

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Comment: Although the recent provincial elections were reportedly conducted in a democratic manner, the most serious block to effective representation on both the local and provincial levels appears to be the Kuomintang-appointed "assistant" who is ever-present and in whom rests the real power of office.

8. KOREA. Communists see forthcoming ROK-Japanese conference as resulting in "mutual alliance treaty": A Chinese Communist [redacted] broadcast of 16 October reports that the US Ambassador to Korea is "now priming Syngman Rhee to conclude a treaty of military alliance between Japan and South

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TOP SECRET

TOP SECRET

Korea...." The treaty, it alleges, will provide Japanese troops and war material for the Korean war in return for which the Koreans will ensure raw material and food to Japan, comply with Japan's request for a return of former Japanese properties in Korea, and give Japan the right to establish industries and enterprises in South Korea. The broadcast goes on to quote (out of context) a number of American articles and speeches in order to prove its point.

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Comment: This propaganda is designed to coincide with the opening of SCAP-Japanese-ROK talks on the question of the nationality of Koreans in Japan. Propaganda alleging US-supported Japanese colonial aims in Korea would probably have some effect if beamed to Korean receivers.

9. South Korean rally demands rights for Koreans in Japan: On 14 October, various ROK Government-sponsored organizations (The National Society for Korean Independence, the Taihan Youth Association, and others) held a rally to adopt resolutions in connection with the forthcoming Korean-Japanese talks. The organizations resolved that:

- (1) Koreans now living in Japan should be given the right to live there permanently;
- (2) the Japanese Government should meet the reparations demands of the ROK Government;
- (3) Japanese immigration laws should not be applied to Korean residents in Japan;
- (4) Property of Korean residents in Japan which was auctioned by the Japanese Government should be restored; and
- (5) Korean children in Japan should be educated in accordance with ROK educational policy.

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Comment: These "unofficial" Korean resolutions, if granted, would virtually amount to ROK extraterritoriality in Japan. It may be noted that the forthcoming conference may not meet Korean expectations inasmuch as SCAP and the Japanese Government do not contemplate the conference treating in detail anything more than the question of the nationality of Koreans residing in Japan.

The Japanese are not likely to be impressed by these tactics. It is probable that the Japanese Government will recognize its Korean residents as ROK nationals, which will facilitate the deportation of undesirable elements among them.

TOP SECRET

TOP SECRET

10. JAPAN. Trade with Communist China remains inactive: The US Political Adviser in Tokyo reports that there is little activity in the development of barter between Japan and Communist China, due to strict export control policies in both countries. Since the textile embargo was lifted on 20 September, only two transactions have been approved by the Japanese Government, both involving the export of gray cotton sheeting to China in exchange for salt and coking coal. Japanese exporters are discouraged over prospects of trade because the important industrial materials which Japan wants are understood to be reserved by the Chinese to exchange for essential raw materials, equipment and machinery which Japan cannot ship under present regulations.

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Comment: Current regulations in Japan permit exports of cotton and rayon textiles of certain grades plus non-strategic consumer goods to Communist China in exchange for raw materials of critical importance to the Japanese economy, such as iron ore and coking coal. During the first seven months of this year, Japan's exports to Communist China averaged 770,000 dollars monthly.

TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

1. GERMANY. USSR again violates agreement by rejecting Berlin trade permits: Soviet authorities in Berlin on 15 October once again rejected a block of over 2000 trade permits submitted to them by West Berlin firms. The head of the West German interzonal trade office views this action as a violation of the conditions agreed to by the East Germans at the time of the signing of the interzonal trade pact on 20 September. He has informed his superiors in the Federal Ministry of Economics that his office can no longer cope with the situation, and has requested further instructions from them.

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Comment: Since the signing of the trade pact, the USSR had created a huge backlog of uncleared permits by failing to act on them. It had not, however, gone so far as to reject any permits outright, as it had been doing before the pact was signed. Although this new rejection of a large block of permits appears to be the most obvious violation of the oral agreement to cease harassing measures in Berlin, West German authorities are unlikely to take any strong counteraction unless prodded by Allied authorities. French and British officials have recently indicated a reluctance to adopt strong countermeasures at the present time.

2. AUSTRIA. Austria moves to meet inflation crisis: Within the past week, several significant moves have been made by government and semi-official agencies to check alarming inflationary pressures within the Austrian economy. Chancellor Figl has coupled pleas for an expanded agricultural production and export program with warnings that unless more produce is delivered to the free markets, compulsory surrender of farm staples will be initiated. On the financial side, banking and finance officials have reached a tentative agreement to restrict credit expansion to the growth of deposits. Most important, negotiations are now under way between industrial and labor officials to freeze wages and prices until the end of the year. Industry spokesmen, fearful of the consequences of a further rise in Austrian prices, have offered to withhold price increases provided the line is held elsewhere. The trade unions' position is complicated by Communist demands for another round of wage increases and by the general awareness that secondary price-rises since the fifth wage-price agreement last summer have resulted in a deterioration of workers' living standards.

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Comment: Last summer's serious meat shortage, needless partisan obstruction of the expansion of exports, and the recent rent-increase measure have aggravated strong inflationary pressures which were inherent in the July wage-price agreement. Austrian officials have warned that prices have about reached their limit under present dollar-schilling exchange rates

TOP SECRET

TOP SECRET

and are incompatible with expanding Austrian exports. While any intention to devalue the schilling has been denied by the government, it would appear that legitimate demands for wage increases and the unlikelihood of a major gain in labor productivity would make attractive a temporary solution through the further reduction in the value of the schilling.

3. BELGIUM. Serious strike threat is posed: The Belgian Socialist Trade Union Federation has set 22 October as the date on which a strike will be called among mine, metallurgical and chemical workers, and possibly dockers, unless the Federation's demands for a 40-million-dollar bonus to labor and a low-cost housing fund are met. The Christian Trade Union has been "embarrassed" into taking similar action.

High industrial profits for this year, and the increase in the price of bread touched off the Federation's dissatisfaction. Meetings between employers, the government and trade union officials are now taking place to stave off a crisis. The government may be forced into a compromise favorable to the Federation's demands.

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Comment: Any curtailment at this time of Belgium's economic effort, especially of its coal production, could have a serious effect on defense production. Coal is in short supply, and the stockpiles, usually large at this time of the year because of summer production, are negligible.

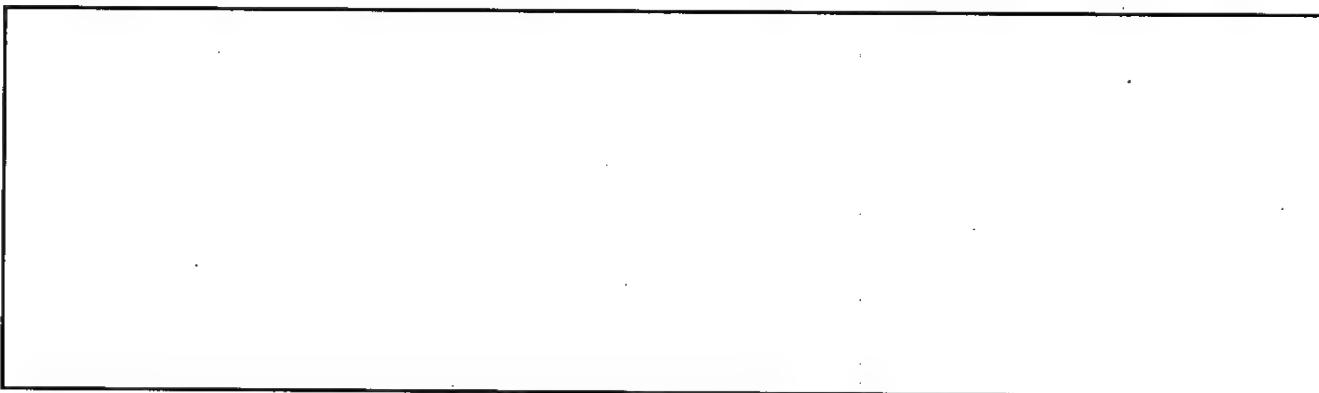
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This strike threat, supported by most of organized labor, may serve as a new tactic in the Socialist Party's campaign to force the fall of the present one-party Belgian Government and the calling of parliamentary elections.

TOP SECRET

25X1

TOP SECRET



6. Italians unwilling unilaterally to deny shipping charters to Soviet bloc: The Italians have agreed in principle that controls should be exercised on Western shipping chartered by the Soviet bloc; however, they envisage such complex problems in the application of such controls that no solution is foreseen at the present time.

The Italian Government controls only 19 percent of the cargo vessels and 3 percent of the tankers under the Italian flag, all the others being controlled by private enterprise. Nevertheless, the Italians are unwilling to deny the use of the vessels they control to the Soviet bloc unless other countries in the Coordinating Committee on East-West Trade in Paris take similar steps "with their vessels having state interests."

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Comment: The Italian position in this matter is consistent with Italy's usual reluctance to act unilaterally in applying controls against the Soviet bloc. By this stand Italy protects the economic interests of its nationals and guards against economic reprisals which the Italian Government is in a poor position to withstand.

7. The US Embassy in Rome recommends against formal establishment of solely US military headquarters in Italy: The US Navy is anxious to establish in Italy an organization known as "Headquarters Support Naval Activities Naples," under the command of the Commander in Chief, Naval Forces, Eastern Atlantic and Mediterranean (CINCNELM), an entirely US command. The mission of this organization would be to support logistically the proposed CINCNELM headquarters in Naples as well as US elements under the command of the Commander in Chief Allied Forces Southern Europe.

The US Embassy in Rome believes that the establishment of CINCNELM organizations in Italy will not cause much difficulty provided the fact of its being a purely US base is not spelled out in any formal agreement. The Embassy further points out that the essence of the problem is that the

TOP SECRET

10

18 Oct 51

TOP SECRET

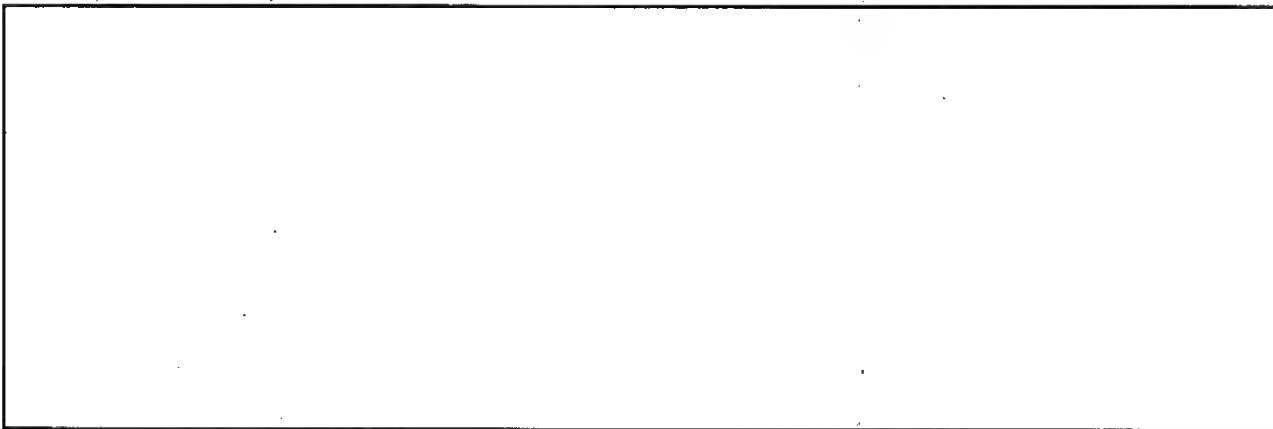
Italians must be able to state in Parliament that they have not agreed to the establishment of an American headquarters in Italy. Such headquarters must be related to NATO activities in Italy.

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Comment: The establishment, without approval of the Italian Parliament, of installations in Italy that are solely for the use of US military forces, would make the government politically vulnerable to Communist charges that NATO bases in Italy are merely for the benefit of "US imperialists." The Italians will cooperate in the establishment of US installations in Italy if these are at least nominally related to NATO activities.

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9. UNITED KINGDOM. Latest assessment of general election prospects: In a further assessment of general election prospects, the US Embassy in London estimates that if there is an approximate two percent shift away from the Labor Party, 31 of the Labor seats considered "doubtful" will go to the Conservatives and one will go to the Liberals. The following breakdown of constituencies into "safe", "probable", and "doubtful" is based on the February 1950 general election and the by-elections held since then:

	<u>Safe</u>	<u>Probable</u>	<u>Doubtful</u>	<u>1950 Elections</u>
Labor	115	90	110	315
Conservative	81	107	110	298
Liberal	0	3	6	9
Other				3
				625

The reduction of Liberal nominees from 478 in the last election to 108, and of Communist candidates from 100 to 10 will present most constituencies with straight Labor-Conservative contests. It is generally

TOP SECRET

TOP SECRET

25X1 believed the Conservative Party will benefit by the absence of Liberal candidates. [redacted]

Comment: A two percent shift away from Labor is a cautious estimate. The latest public opinion poll gives the Conservatives a 6.5 percent margin over the Labor Party, and in the last five by-elections, the Conservative popular vote has risen 7 percent. In 1950 an increase of only 3.3 percent in the Conservative popular vote netted the Conservatives a gain of 85 parliamentary seats [redacted]

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Since the Communist vote in 1950 was so small, the absence of Communist candidates is unlikely to affect the election results materially.

10. NORWAY. Soviet note believed an attempt to block NATO bases in Norway: The US Embassy in Oslo believes that the purpose of the Soviet note of 15 October was to discourage Norway from making any change in its policy on military bases and in particular from negotiating for NATO bases on Spitsbergen along the lines of the recently concluded US agreements for rights in Iceland and Greenland.

25X1 The Embassy speculates that, while the Soviet reference to deterioration of Norwegian-Soviet relations may be merely the usual Soviet threat, the note might presage a severance of relations and, conceivably, a simultaneous Soviet move into Spitsbergen. [redacted]

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Comment: Although the note's reference to Spitsbergen may indicate a renewed interest in that area, there are no recent indications of increased Soviet activities in the vicinity. The shipping season for the islands, where there are about 2,500 Russians and about 1,200 Norwegians at mining claims, ends by mid-November because of ice conditions.

It is believed that the note was primarily designed to preclude Norwegian negotiation of further aspects of the North Atlantic Treaty, particularly in regard to NATO use of Norwegian bases.

11. SWEDEN. Poles demand more ball bearings and iron ore: The Polish trade commission negotiating a new trade agreement in Stockholm has demanded that Sweden increase its ball bearing exports to Poland by approximately 50 percent and double Poland's present iron ore quota of 700,000 tons. The value of the ball bearings demanded is approximately 2.9 million dollars. The Swedish Foreign Office expects the Poles to insist on actual contracts,

TOP SECRET

12

18 Oct 51

TOP SECRET

not just quotas, for both bearings and ore before granting contracts to the Swedes for coal. The Swedish negotiating position is rendered difficult because Sweden requires deliveries of Polish coal during five winter months beginning in mid-November and averaging 275,000 tons monthly, whereas ore shipments occur in the summer. Consequently, the Swedes require an early agreement whereas the Poles can afford to delay. The Embassy recommends that the State Department investigate the possibilities of increasing US coal exports to Sweden in mid-November, in US ships if necessary.

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Comment: The Swedes hope to reduce their dependence upon Polish coal by obtaining supplies from the West. Because of the dollar problem, the Swedes prefer dealing with the British. In return for Swedish iron ore, which Britain needs, they hope to obtain one million tons of coal. The Swedes have obtained from the British a promise of a firm commitment by mid-October.

12. UNION OF SOUTH AFRICA. Prime Minister expresses concern over Anglo-Egyptian relations: Expanding upon a statement by the Department of External Affairs expressing concern over "the recent grave deterioration of Anglo-Egyptian relations," Premier Malan told the US Charge d' Affaires on 16 October that he hoped the present situation would not lead to a clash of arms, but he felt that protection of the Middle East and particularly Suez was vital to Africa and the western world.

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Comment: These statements, and South Africa's active leadership in the Nairobi defense conference two months ago (where plans were made to facilitate the northward movement of South African troops in case of war), demonstrate that the Nationalist government is fully aware of the importance of Suez to the security of the African continent. However, the Union's defense forces are so short of trained manpower and of equipment that South Africa's commitment to supply one armored division to help defend the Middle East in case of war could not be carried out with any promptness.

13. BOLIVIA. Students form junta to take over university: La Paz university students, who have been striking for equal voice in administration of the university, have formed a junta to take over the university. The Bolivian Government, which has remained aloof from the controversy on the grounds that the university is autonomous, shows no sign of intervening. The strikers are led by members of the Nationalist Revolutionary Movement (MNR) and are reportedly supported by the Communists. The US Embassy in La Paz comments that the "student junta may fizzle; on the other hand, it may develop awkwardly."

TOP SECRET

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TOP SECRET



Comment: The university student organization is dominated by members of the MNR, and it is possible that they may have arranged a working agreement with the Communist students, since the latter would also like to see the governing military junta ousted.

University students play an important role in domestic politics. It is probable that the prolonged strike is part of the MNR campaign to embarrass and then overthrow the military junta. The junta's actions have reflected control over the country, but at the same time a desire not to antagonize the MNR -- this arising from a feeling of self-interest in the event the MNR should succeed in any of its constant attempts to subvert key army and police elements and to incite popular revolution through such incidents as the university strike.

114. GUATEMALA. Anti-US propaganda wildly applauded by labor unity congress: At the opening session of the Communist-sponsored Congress for the Unification of the Guatemalan Labor Movement, Vicente Lombardo Toledano was wildly applauded as he declared that "the high chiefs of the anti-Communist campaign were born in Washington...the chiefs of the great Yankee monopolies speak of Russian imperialism, but ignore the fact that imperialism is the economic domination of a small nation for the benefit of a stronger one." He was further applauded as he asked, "Can one find Russian rubles controlling Guatemala's banana industry? Are Russian rubles controlling the Guatemalan railroads?...Guatemala's Caribbean seaports?"

Communists are reported to have "set the tone" for the Congress and will unquestionably control the new over-all labor federation, which will include all major federations. Official governmental approval of the Congress was indicated by a letter from President Arbenz and by the presence on the speaker's platform of Public Works Minister Paz Tejada (representing Arbenz) and President of Congress Alvarado Fuentes.

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Comment: Ridicule of the US anti-Communist policy through comparison of historical and current US interests in Latin America with the virtual absence of Russian interests in the area has proved to be a very effective Communist propaganda approach. It is possible that the support obtained by the labor unity congress, which will further solidify Communist control of Guatemalan labor, will prevent the United Fruit Company from achieving

TOP SECRET

14

18 Oct 51

TOP SECRET

a satisfactory settlement of the current labor contract controversy, which has caused the company to threaten complete withdrawal from Guatemala.

15. Mass meeting in support of the administration planned: According to the official Guatemalan radio, "the democratic forces of the nation continue with preparations for holding a huge mass meeting on 19 October to demonstrate their support for President Arbenz' progressive and democratic government. Thousands of workers are expected to arrive in Guatemala City from many parts of the nation, and plans include a big parade of workers which will file through downtown Guatemala City."

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Comment: The demonstration is part of the celebration of the anniversary of the revolution of 20 October 1944, which symbolizes the beginning of leftist influence over the government of Guatemala. The march of "thousands of workers" will provide a display of leftist strength designed to intimidate conservative and anti-Communist opposition, and to remind President Arbenz of the source of his support. Although street disturbances are possible during the celebrations, it is unlikely that leftist groups will meet any organized opposition. Should disturbances occur, they may serve to indicate the degree to which "anti-Communist" organizations have gained in strength since the spontaneous riots of last July.

TOP SECRET

15

18 Oct 51

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TOP SECRET

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TOP SECRET

18 October 1951

**CIA No. 49391-A
Copy No.**

49

25X1

TO THE DAILY DIGEST

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Office of Current Intelligence

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TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. ISRAEL. Israeli attitude on Middle East Command: Israeli Prime Minister Ben Gurion told the US Ambassador in Tel Aviv that Egyptian refusal to participate in the Middle East Command "may have saved the allies from making a serious mistake." He went on to point out that the Egyptian record in both world wars was bad, and characterized the Egyptians as "corrupt, venal and completely unreliable."

Ben Gurion also expressed concern lest Egypt and its bases become a threat to Israel despite the good intentions of Western powers.

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Comment: [redacted] Israel, in a guarded manner, has indicated definite interest in membership in such an organization. There is also, however, fear and uneasiness in Israel over the possibility that Egypt and the Arabs may exploit Western desires for Arab bases and cooperation to the disadvantage of Israel.

2. ARAB STATES. Arab states not likely at present to accept membership in Middle East Command: The Saudi Arabian Minister in Baghdad told the US Ambassador that he believed that because of Egypt's refusal to join the Middle East Command no other Arab states would accept the plan. It would be highly dangerous, according to the Saudi Arabian spokesman, for any Arab leader to attempt to force his country into such an organization without prior general agreement.

The Iraqi Prime Minister, although showing interest in the Command proposal, expressed similar opinions to the US and UK Ambassadors in Baghdad. [redacted]

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Comment: As Arab reactions continue to be reported, it is becoming clear that Arab participation in the Middle East Command cannot be anticipated while the Anglo-Egyptian dispute remains unresolved. British Foreign Office spokesmen also believe that the Iranians would refuse an associate membership in the Command were it offered them at the present time.

3. IRAN. Swedish fire chief hired for Abadan refinery: The Swedish press has reported that the National Iranian Oil Company has signed a six-months' contract with a Swedish fire control expert to become Chief of Fire Protection at the Abadan refinery. The first Swedish fire chief who was offered the job refused, stating that it was "like running around with a stirrup pump in a burning powder room." US Embassy

TOP SECRET

TOP SECRET

Stockholm reports that no other Swedish experts are known to have been hired by the NIOC, although the Iranian Legation in Stockholm has declared that 25 Swedes have offered their services. [redacted]

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Comment: This is the first reliable report that NIOC advertisements for foreign technicians to work in the oil industry have been successful. If the Swedish Government, which has followed an official policy of "staying out of Persia," allows the Swedish expert to go to Iran, he will be the first foreign technician to be hired by the NIOC to work in the Abadan refinery.

4. CHINA-INDIA. Peiping's Foreign Office refuses to accept list of detained US nationals: Peiping's Foreign Office has refused to accept from the Counselor of the Indian Embassy in Peiping a name-list of US nationals detained in Communist China, about whom information is being requested from Peiping. Chen Chia-kang of the Foreign Office, referring to Peiping's resentment over the detention of "thousands" of Chinese abroad, stated that he would not receive the list until he talked with Foreign Minister Chou En-lai. The Government of India is taking no further action prior to consulting with Ambassador Panikkar, who was due to arrive from Peiping on 16 October. [redacted]

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Comment: New Delhi's report of an earlier conversation between Panikkar and Chen indicated that the name-list had been presented; evidently that was not the case. Prospects remain poor for an improvement in the treatment of foreign nationals in Communist China.

SECTION 3 (WESTERN)

5. UNITED KINGDOM. British fly reinforcements to Suez Canal Zone: The 16th Parachute Brigade and the 2nd Infantry Brigade have been flown from Cyprus to the Suez Canal Zone. In addition the British forces have been authorized to remove any road blocks erected by the Egyptians in the Canal Zone, to organize troops and volunteers into a labor force to replace the Egyptians, to screen persons entering the zone, and to prohibit aircraft from flying over the zone without prior permission. [redacted]

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Comment: The British are determined to remain in Egypt despite the situation resulting from the Egyptian Government's interference with telephone service and railroad traffic and from the riots of 16 October in Ismaila.

As of 1 October there were 35,500 British and colonial troops in the Suez Canal Zone. In addition to the two brigades, numbering slightly more

TOP SECRET

TOP SECRET

than 6,000 men, 1,000 men were landed at Port Said on 13 October.

6. British accepting further amendments to draft resolution:

The British Foreign Office has authorized the acceptance of the Yugoslav and Indian amendments to the British draft resolution on the Iranian crisis. The Foreign Office is discouraged at the prospect of thus further weakening the resolution but could see no other way to obtain seven affirmative votes.

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Comment: The amendments would omit any reference to the 5 July decision of the International Court of Justice which the Iranians had previously refused to recognize.

The British, in order to obtain Security Council action of some sort on Iran, have retreated from their position of a week ago, when they decided to introduce the resolution whether or not seven votes were forthcoming. Although the resolution may receive seven affirmative votes, Iran and the USSR continue to assert that this question is not within the jurisdiction of the Security Council.

7. British not yet willing to abandon hope of running Iranian

oil industry: A British Foreign Office official has stated that the UK cannot yet commit itself to the substitution of a non-British interest for the Anglo-Iranian Oil Company because this possibility has not been considered by the Cabinet. He stressed that any sales contract with Iran could not be limited to refined products but must include crude also.

The US Embassy in London feels that the UK Government generally recognizes that some organization other than a British agency to manage the oil industry is inevitable.

25X1

Comment: Iranian Prime Minister Mossadeq has stated that he will discuss compensation for the seized British assets and the sale of oil. He has said that he is willing to hire British technicians under individual contracts. There is some possibility that the British might be included in any international company formed to manage the industry.

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